

RE: GDP impacts

From: "Lee, Frank" <frank.lee@fin.gc.ca>
To: "Capeluck, Evan" <evan.capeluck@fin.gc.ca>
Cc: "Cao, Jian-Guo" <jian-guo.cao@fin.gc.ca>
Date: Fri, 11 Feb 2022 19:46:45 +0000

Yes, please. Unrealistic indeed.

From: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Sent: Friday, February 11, 2022 2:45 PM
To: Lee, Frank <Frank.Lee@fin.gc.ca>; Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Subject: RE: GDP impacts

Sounds good. Should I send the GDP estimates based on a one-week shutdown to Julie (she was asking earlier)?

For our back pocket, here are job estimates consistent with the peak impact (i.e., this week) and 0.4 elasticity. Still very unrealistic in my opinion.

	6-Feb (000s)
Scenario 1	51
Scenario 2	97
Scenario 3	182

From: Lee, Frank <Frank.Lee@fin.gc.ca>
Sent: Friday, February 11, 2022 2:26 PM
To: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>; Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Subject: RE: GDP impacts

Yes, agreed. Let's just have numbers ready for ourselves. Thanks

From: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Sent: Friday, February 11, 2022 2:21 PM
To: Lee, Frank <Frank.Lee@fin.gc.ca>; Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Subject: RE: GDP impacts

Agreed. We'd probably only see hours cuts and maybe some temporary layoffs. Nothing permanent. It's sort of misleading to give job #s in that concept.

How about we only provide the GDP numbers and have something have on a 0.4 multiplier in our back pocket for over the weekend, and then maybe revisit next week?

One issue is the "time horizon" element, i.e. the economic cost is really high in one week but low for the month as a whole. Next week is the LFS reference week so if things get better

over the weekend, there might be not measured job impacts even if there were indeed some impacts this week...

From: Lee, Frank <Frank.Lee@fin.gc.ca>
Sent: Friday, February 11, 2022 2:01 PM
To: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>; Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Subject: RE: GDP impacts

I am not sure if we can use this relationship. I think this applies if the shock is either permanent or long-lasting. If you use 0.3 it would be a lot smaller.

I think we need to say that the employment effect would be negligible initially (it lasts 1-2 weeks) but would become larger over time (so 0.3 then the IO shock). What do you think?

From: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Sent: Friday, February 11, 2022 1:50 PM
To: Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Cc: Lee, Frank <Frank.Lee@fin.gc.ca>
Subject: RE: GDP impacts

I have a very rudimentary spreadsheet based on IO data. I points to % impacts of wages/salaries (employment) roughly = % impact on GDP.

That would give job impacts in the realm of 150-500K this week (very unlikely since firm would see it as temporary) and 22-80K in February (monthly average, assuming it's over this week).

From: Capeluck, Evan
Sent: Friday, February 11, 2022 1:40 PM
To: Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Cc: Lee, Frank <Frank.Lee@fin.gc.ca>
Subject: RE: GDP impacts

IO or multipliers, I think. Whatever is easiest.

It would be ideal to have something today. Given the time constraints, maybe we can start with something simple and get more complex next week if needed. Could we use a standard elasticity of employment growth to real GDP growth? It seems like the impacted sectors have a similar labour share to the economy-wide averages so maybe it's close to 1.

Thoughts, @Frank?

From: Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>
Sent: Friday, February 11, 2022 1:28 PM
To: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Cc: Lee, Frank <Frank.Lee@fin.gc.ca>
Subject: RE: GDP impacts

Hi Evan,

Which model/method should be used, CEFM simulation, or IO model simulation, or Multipliers?

What is the timeline for this request?

Thanks,

JG

From: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>

Sent: February 11, 2022 1:06 PM

To: Cao, Jian-Guo <Jian-Guo.Cao@fin.gc.ca>

Cc: Lee, Frank <Frank.Lee@fin.gc.ca>

Subject: RE: GDP impacts

Hi JG,

Would you be able to provide job impact estimates today consistent with the table below from Transport Canada? You can treat the below estimates as the full impacts (i.e., including direct and indirect effects), and so I think you can basically just get the direct job impacts associated with the shocks to each sub-sector and then add them up.

For my purposes, you could just multiply the below numbers by 365 to annualize the impacts, generate the job numbers, and then I can rescale later based on the assumed duration of the impacts.

Thanks,
Evan

Ambassador Bridge Closure - Economic Impact

(Daily impact on Canadian GDP during first week, \$ millions)

Industry	Scenario 1 "Low"	Scenario 2 "Middle"	Scenario 3 "High"
All industries	45.2	85.5	160.6
Transportation equipment manufacturing	14.8	15.1	15.9
Food and beverage manufacturing	1.0	1.3	11.6
Machinery manufacturing	0.4	7.9	8.4
Chemical manufacturing	0.5	1.0	8.1
Primary metal manufacturing	1.5	6.3	6.7
Other manufacturing	1.5	2.5	14.7
Wholesale and retail trade	4.5	8.2	14.6
Transportation and warehousing	2.2	4.1	8.0
Agriculture and forestry	0.8	1.0	7.9
Other industries	18.1	38.1	64.7

Source: Transport Canada

From: Lee, Frank <Frank.Lee@fin.gc.ca>
Sent: Friday, February 11, 2022 12:23 PM
To: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Subject: RE: GDP impacts

Hi Evan

Yes, just a TC breakdown. Could you send this to JG and ask for the jobs impact. Ideally, it would be better to include this in your one pager before they ask us for them. But he is also busy with a DSET today.

From: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Sent: Friday, February 11, 2022 12:17 PM
To: Lee, Frank <Frank.Lee@fin.gc.ca>
Subject: Re: GDP impacts

Sounds good. Not sure if he needs to run a shock or just use the industry breakdown of impacts that TC sent and then convert to number of jobs using IO tables?

From: Lee, Frank <Frank.Lee@fin.gc.ca>
Sent: Friday, February 11, 2022 12:14:52 PM
To: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>
Subject: RE: GDP impacts

Hi Evan

Thanks. The workbook looks nice. Very easy to follow.
Yes, let's wait until Monday. Agree TC impacts appear to be too large.

Let's also look at the data Brian T sent around. See if we can exploit that data.
We will also need a jobs impact. Probably JG could run a shock (IO)?

From: Capeluck, Evan <Evan.Capeluck@fin.gc.ca>

Sent: Friday, February 11, 2022 11:28 AM

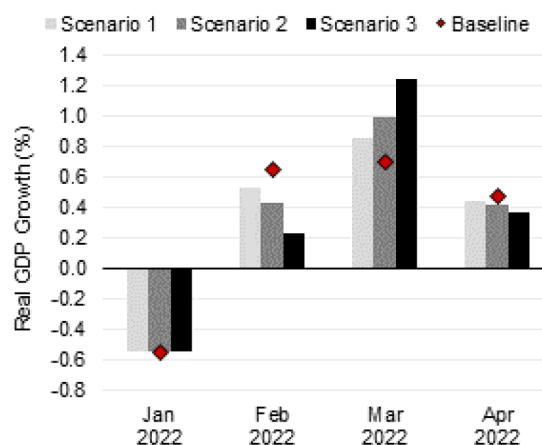
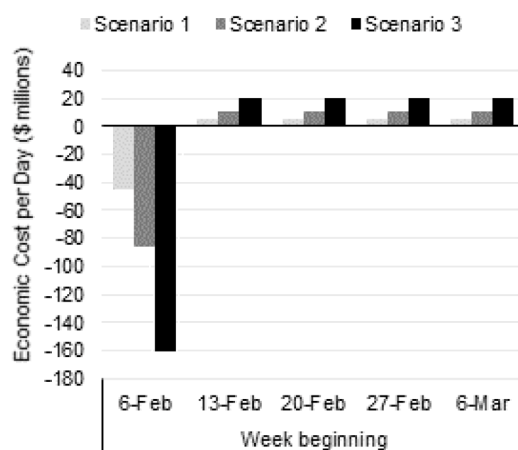
To: Lee, Frank <Frank.Lee@fin.gc.ca>

Subject: GDP impacts

Hi Frank,

It's pretty hard to put together scenarios while the situation remains so fluid. So, what I've done so far is translate TC's daily economic impacts (\$45-161M for the first week) into real GDP impacts. For now, I'm assuming that the blockages only last for one week, and that half of the impacts are recouped over the following four weeks (i.e., only have of the impacts are permanent). You can more or less linearly scale it up if the blockade were to last longer.

Real GDP Impacts						
	Level (%)			Growth (SAAR, p.p.)		
	2022Q1	2022Q2	2022	2022Q1	2022Q2	2022
Scenario 1	0.0	0.0	0.0	-0.1	0.1	0.0
Scenario 2	-0.1	0.0	0.0	-0.2	0.2	0.0
Scenario 3	-0.1	0.0	0.0	-0.4	0.4	0.0



Workbook is here: <\\fin-fs01\BackOffice\Economic and Fiscal Policy\EA\FD\FCST\Monitor\Shocks\Freedom Convoy - Winter 2022>

It's probably not worth spending too much more time on it until Monday (things will probably change a lot and we may get more info from TC).

Evan